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Advantages of Keeping Records of Household Accounts, and of Budget Making

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How many of you would go out on a lake in a boat which had neither rudder nor oars by which you would feel that you could safely get back to shore?

How many of you if you were ill and had called a doctor would follow his prescription if he had made no examination of you and if he had asked you no questions?

To the first question you would probably say, "Do you think I care to commit suicide?" To the second your comment would be, "Do you think I've lost my mind? Life is too precious for that."

But we do launch out on this business of living and rearing our families to be the future citizens with no rudder to guide us safer than the traditions of our forefathers and the instinct of self preservation, or, to resort to the second illustration, with no diagnosis save our feeling of immediate need which prompts us to grasp at a solution which may act as a temporary sedative while our financial ailments go on more or less acute until again temporary relief is found.

But many people say our forefathers got along some way, they even accumulated more than we have. We must remember, however, that living nowadays is much more complex than it once was, standards of living are higher, higher than the purchasing power of the dollar may warrant. Consequently, it takes considerable planning to maintain these standards and to provide for our old age so that we will not be a care upon others which state no self-respecting person of these times can consider with calmness of spirit. Even in this matter of dependence the ideals of the present generation differ from the past. In previous generations it was not at all uncommon to see the maiden aunt who really didn't belong any place, as a part of the family. She had not been fortunate in meeting her mate, consequently she was more or less an object of charity. That she might earn for herself was not thought of—it was not considered genteel. According to recent statistics it was found that out of a group of one hundred men starting out in life, at the age of forty-five, fifteen are no longer self-supporting, at the age of fifty-five, thirty are dependent, at the age of sixty-five, fifty-four are not able to support themselves and at seventy-five, sixty-three of the hundred are dead and thirty-four must look to others for support. Of these hundred men, eighty-two have no estates. Of one hundred widows, eighteen live on their incomes, forty-seven supplement their incomes by working and thirty-five are dependent.*

Not a very pretty picture is this to be sure, but it goes to show that looking backward does not reveal a very good pattern for successful family living. The story of the past coupled with the relative complexity of the present shows us this important thing—that if we can rear our families with

*These statistics have been used by insurance companies in advertising material. Quoted from S. Agnes Donham, "Spending the Family Income," pp. 22-23.

satisfaction and can conclude our lives with independence we must give the planning of our financial life much careful thought.

It may be that the earning capacity cannot be increased. But it may be possible that by careful study and management, equal satisfactions can be bought with less money. One of the first steps in bettering this financial condition is not as many people think, that of using a spending plan or budget to which we must rigidly adhere. Seldom does one find a ready-made plan to fit the living requirements of a particular family.

For the most part these are merely general patterns which will have to be varied for families living in different circumstances or different parts of the country. The income and the standards of life which they maintain will determine the plan necessary for the special family. Although some of these plans are well to be kept in mind that they may serve as a guide or as a check to one's own budget, one's own plan drawn up from records of necessary expenditures in previous years is of much greater value.

The above statement takes for granted that one has kept records in previous years. The ways in which these records are kept are worth considering.

Many people record their expenditures as they are made, giving the date, the kind of purchase and the amount spent. This is better than no record at all. One knows at any given time how much of the income has been spent and can quickly tell how much there is left. The result is much the same as that from keeping the stubs in one's check book with the addition that the former is probably a more itemized account than the check book stub.

The habit formed by setting down the expenditures is worth something for that act of recording is often that which stands between one and good account keeping.

But records set down in this fashion are so mixed that if one wished to know just how much had been spent for one class of item, as one frequently has reason for desiring to know, it would take considerable time for sorting those items from the mass of other items. They do not give one very material help in forecasting the expenditures to be made at a future time or in studying the relative values received from the various types of purchases.

One step further in the analysis of records gives much better results. If one should classify the accounts into five headings, viz., food, clothing, shelter, operating expenses and advancement, it would be possible to tell much more quickly and accurately whether they were spending reasonably wisely. Some families spend too much for food, some wish unduly to impress the public with their homes and others with their clothing—far beyond what their incomes justify.

Furthermore, if from time to time the income increases one has a further check on the wisdom of one's spending for in accordance with the investigation of Engel and later of Streightoff* as the income increases (a) the proportionate expenditure for food decreases (for country at large); (b) there is a strong tendency for expenditures for clothing to increase; (c) relative expenditures for housing remain about constant, falling very slightly after incomes of \$400 have been reached (for the country at large); (d) proportionate expenditures for fuel and light decrease; (e) expenditures for culture wants increase both absolutely and relatively.

Again, by taking another step in one's classification one has still better opportunities for comparison and study, viz., the subclassification of these five general classes, e. g.: food—meats and eggs, milk and milk products, fats, sweets, fruits and vegetables; clothing—for the several members of the family or by the several types of clothing as outer clothing, underwear, shoes and hats; operating expenses—fuel, telephone, cleaning materials and equipment; shelter—rent, repairs, taxes, etc.; advancement—books, magazines, music, travel, church, philanthropy; savings, etc.

A college girl was surprised on studying her clothing expenditures to see that the amount expended for shoes was out of proportion to her other clothing costs and also not in proportion to value received. She decided that she was buying too many novelty shoes without due attention to quality, an error in which one in these times could easily fall. The comparison of the

*Streightoff, Frank Hatch, "The Standard of Living Among the Industrial People of America," p. 20, 1911.

amount spent for meat and that for dairy products may throw light on why the health of some members of the family may be under par. A further study may reveal the drug or doctor's bills too high while a closer study of money spent for certain types of food, for operating expenses or for recreation may be relatively low. Then, these specifically classified expenditures act as a mirror of the family living.

Not only do these records show how the economic condition may be improved and one's money's worth may be received but they do reflect the mental and spiritual makeup of the family. Money spent represents the satisfaction of desires and these desires are the outcome of the family's ideals. Although most of us would rather think of ourselves as better than we are, it is a good thing to see our real selves as we are when acting unconsciously of what appearance we are making. Our account book may show us as sordid and niggardly, generous and open-handed, thrifty and thoughtful; pleasure loving and living only in the present or constrained and forward-looking.

With expenditure records subclassified as suggested it is easy enough to forecast fairly accurately what the necessary expenses of the future may be. Every thoughtful man or woman has a more or less hazy notion of what is usually spent and when certain outstanding expenditures may have to be met again, such as a new coat, winter underwear and the like. But with each additional member of the family it becomes increasingly difficult to hold these items in mind definitely. When these items are set down on paper it is much easier to visualize their life-time and when renewal must take place. Oftentimes by thought and subsequent care expensive items can be shifted to another time so that several expensive articles do not have to be replaced the same season of the same year. In time the study and shifting of items to their particularly convenient season becomes similar to a fascinating game of chess or checkers. This cannot be accomplished in one year or in two years, although each year gives one additional data.

Most families find expenditures for many articles are fairly fixed as amounts of food, shelter and operating expenses and some items in advance-ment. But for clothing and house furnishings the life of the article often extends over a period of years. Usually one considers a clothing budget over a three year period. For those with an uncertain income a period of four or five years may be more worth while studying for in that period they may be able to strike an average of their "lean and fat years" so they may have an idea of what they may consider as their standard of income.

There are few families which at some time do not go through a period when retrenchment is not necessary. It may be that the usual income is not forth-coming or it may be that there is some unusual strain or that some special investment has had to be made. The study of previous records makes it possible for one to know very well what items may be most satisfactorily reduced. And in turn when there is an inflation of the income the records again show what class of items it is wisest to increase. At this point it may be well to reiterate what has been said so often that when, with a fluctuating income, one finds what is satisfactory living during the "leaner" years, it is unwise to raise one's standards to the extent of the income of the more bountiful periods. Slight raise in standards may be justifiable but it is better to carry over the surplus to times when the income may not be so large. In that way standards may be stabilized or gradually raised.

Now the account book should not be a closed book to all the members of the family save the one keeping the records. The study of it should be the business of the entire family. In that way judgments will be formed, the several members will know what they may reasonably expect available and may make their plans accordingly. Children will not make requests that cannot be gratified and parents will be saved heart burnings from the disappointments of the children when their desires must be denied. One member of the family will not claim the lion's share and brothers and sisters will be spared the hurt occasioned by selfishness and jealousies.

The younger members of the family are brought up in an atmosphere of thrift and intelligent spending. It becomes part of their mind-set and when they are older and temptations for spending are pressed upon them they will be much more likely to ask themselves intelligent questions as to the satis-

factions gained and decide much more wisely than those who have not had the family training.

The need for retrenchment has been referred to several times. Seldom do we find a family that at some time does not need to have credit extended to them. The family account book is the best reference one could have as to the probable ability to pay. The very fact that one is alert to one's financial status is evidence that one is likely to be a good risk. Better still, a record showing a wise proportion of spending and saving during periods of ordinary income adds to one's financial standing.

Someone may say that this keeping of records takes so much time. It does take some time, but this matter of successful living is rather important to most of us and we find that we are successful with little in this life if we do not give it some time and thought. One should adopt some form that takes the minimum of writing and calculating. There are many excellent forms put out for one's use. Again, some say, "I've tried to keep records; I keep them for a time and then there comes a time when I can't record them, then I forget. When they are not accurate, what's the use?" Of course inaccurate records are not as valuable as accurate ones but at least one has made an effort and has done something toward forming the habit. The thing to do is to begin to keep records again. One does not have to submit one's books to an auditor, the records do not have to balance to the penny. Furthermore, one does not have to wait for January, the first, to begin. Even if there is a gap in the records one can take that into consideration and go on with the keeping of accounts. Eventually the habit will be formed and the benefits derived will be a motive power to keep one willing to continue one's book-keeping.

Again one asks "What benefit is account keeping to the farm woman?" The keeping of records is as valuable to a farm woman as to any other woman. It is true that her income is very fluctuating but that phase of the subject has been covered earlier in this paper. Her problems are complicated in that she is both buyer and seller of some products. She must put a price on her products and record the amount to her income as well as to the outgo.

This article has been confined almost entirely to record keeping and only incidentally has reference been made to the budget. The budget is merely a plan of spending—a pattern, so to speak. The budget can be made only after accounts have been kept for several years, until opportunity for observing fluctuating conditions has been given and when one has a fairly accurate idea of the average income. Then one can with some accuracy apportion the proper amounts to the respective items. Even then one must not feel that this pattern must be strictly adhered to, although it is surprising how much a well planned budget does meet one's conditions. It is a source of considerable satisfaction to know when one spends that one can afford to spend; that before the planned-for period expires, one has not come to the limit of expenditures.

One often hears people say that they like to make an investment or even go into debt for some cherished thing because they know they will save to meet the obligation. The same principle is involved in the working of the budget. If one says one will spend this much and no more for a certain class of article one usually finds one can accommodate oneself to the plan. If the amount apportioned to one set of items is not needed the remaining amount may be transferred to another class where the estimated amount is not sufficiently generous to meet the requirements or it can be transferred to savings which gives one an extra thrill of satisfaction.

Now the question comes, "Does such a plan of procedure as has been outlined tend to make one niggardly and miserly? Is there a tendency to become materialistic from thinking so much of things economic?" Such a plan only brings us face to face with the facts of our financial condition; it does not imply stinginess or meanness, but wise spending, getting for our money that which gives us most satisfaction. Oftentimes when the income is meager we find ourselves wondering and worrying to know how we will find our way out, but when we keep accounts, study them, adjust them and then finally make out the budget which we think will meet our conditions we can drop these worries and give our attention to other things—we thereby make ourselves more fit for what the world has for us to do.